

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-10 IO-14
ISO-00 SIG-02 AID-05 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 OPIC-06 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 H-02
INT-05 PA-02 PRS-01 NSC-05 /156 R

DRAFTED BY EB/OT/STA:C H BLUM:CMS
APPROVED BY EB/OT/ITP:W BARRACLOUGH
EUR/RPE:R LAMANTIA (INFO)
EB/OT/STA:J S SPIRO
EA/EP:M HENDERSON (INFO)

-----119120 020323Z /62

R 011848Z FEB 78
FM SECSTATE WASHDC
TO ALL OECD CAPITALS
AMEMBASSY BELGRADE
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY BUENOS AIRES
AMEMBASSY CARACAS
USMISSION GENEVA
AMEMBASSY HELSINKI
AMCONSUL HONG KONG
AMEMBASSY MEXICO
AMEMBASSY MONTEVIDEO
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY NASSAU
AMEMBASSY PORT OF SPAIN
AMEMBASSY PRAGUE
AMEMBASSY PRETORIA
AMEMBASSY SANTO DOMINGO
AMEMBASSY SANTIAGO
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AMEMBASSY SEOUL
AMEMBASSY TAIPEI
AMEMBASSY TEL AVIV
AMEMBASSY VALLETTA
AMEMBASSY WARSAW

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USEEC ALSO FOR EMBASSY; USOECD ALSO FOR EMBASSY; INFORM

E.O. 11652:N/A

TAGS:ETRD, US

SUBJECT: VANIK SUBCOMMITTEE HEARINGS ON TRIGGER PRICE
MECHANISM

CONSULS

1. SUMMARY

AT CONGRESSIONAL HEARINGS JANUARY 25-26, STEEL INDUSTRY, LABOR, IMPORTER AND ADMINISTRATION WITNESSES DISCUSSED THE IMPLEMENTATION AND EFFECTS OF THE TRIGGER PRICE MECHANISM (TPM) FOR STEEL. BIG STEEL PRODUCERS AND STEEL WORKERS GENERALLY ADOPTED A WAIT AND SEE ATTITUDE, BUT IMPORTERS AND FABRICATORS RAISED CONCERNS ABOUT INFLATIONARY IMPACT OF TPM ON THEIR BUSINESS. HOUSE TRADE SUBCOMMITTEE MEMBERS EXPRESSED SOME DOUBTS ABOUT WORKABILITY OF SYSTEM AND ITS IMPACT ON U.S. ECONOMY BUT CONCLUDED THAT IT WILL HAVE TO DO UNTIL A MORE SUITABLE REPLACEMENT IS FOUND. ADMINISTRATION WITNESSES PROVIDED ANSWERS TO A LONG LIST OF SUBCOMMITTEE QUESTIONS AND REVEALED A FEW NEW DETAILS
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OF PLANNED IMPLEMENTATION OF TPM. END SUMMARY.

2. AS PART OF A SERIES OF HEARINGS ON THE ADMINISTRATION

OF ANTIDUMPING AND OTHER TRADE LEGISLATION, THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON TRADE HEARD TESTIMONY JANUARY 25-26 FROM STEEL INDUSTRY, LABOR, IMPORTER, FABRICATOR AND ADMINISTRATION WITNESSES. CHAIRMAN CHARLES VANIK (D-OHIO) EXPRESSED HIS DOUBTS ABOUT WORKABILITY OF TPM BUT CONCLUDED THAT "WE HAVE TO LEARN TO LIVE WITH" IT UNTIL A MORE SUITABLE REPLACEMENT CAN BE DEVELOPED.

3. SPEAKING ON BEHALF OF THE STEEL INDUSTRY, U.S. STEEL CHAIRMAN EDGAR SPEER ADOPTED A WAIT-AND-SEE ATTITUDE. WHILE COMPLAINING THAT SOME TRIGGER PRICES WERE "UNREALISTICALLY LOW" AND THAT JAPANESE EXTRAS LIST WAS BEING UNCRITICALLY ACCEPTED BY TREASURY, SPEER RESERVED JUDGMENT ON THE TPM UNTIL IT HAS BEEN IN OPERATION FOR SOME TIME. A SIMILAR POSITION WAS TAKEN BY SPOKESMAN FOR STEELWORKERS UNION.

4. SPEER AND OTHER PRIVATE SECTOR WITNESSES ARGUED THAT

U.S. ANTIDUMPING AND OTHER TRADE LEGISLATION SHOULD BE ENFORCED MORE FAIRLY AND EXPEDITIOUSLY AND AMENDED TO REDUCE THE BURDEN ON THE U.S. COMPANY SEEKING RELIEF. SUBCOMMITTEE RESPONDED SYMPATHETICALLY TO THIS LINE OF ARGUMENT, AND VANIK DIRECTED SUBCOMMITTEE STAFF TO GIVE ATTENTION TO POSSIBLE REDRAFTING OF TRADE LEGISLATION. A NUMBER OF PRIVATE SECTOR WITNESSES ALSO CALLED FOR MTN SECTOR NEGOTIATIONS ON STEEL AS A MEANS OF PROVIDING A "PERMANENT SOLUTION" TO WORLD STEEL PROBLEM. VANIK SAID HE WAS "VERY INTERESTED" IN THIS APPROACH. ADMINISTRATION WITNESSES AND SEVERAL SUBCOMMITTEE MEMBERS POINTED OUT THE POSSIBLE CARTEL ASPECTS OF SUCH SECTOR NEGOTIATIONS AND THE LACK OF INTEREST EXPRESSED BY MAJOR U.S. TRADING PARTNERS IN STEEL SECTOR NEGOTIATIONS.

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5. VANIK HIMSELF LEVELED THE CHARGE THAT TPM IS DESIGNED TO FIND A WAY TO PREVENT THE EXCLUSION OF EUROPEAN STEEL FROM THE U.S. MARKET AND THAT IT GIVES EUROPEAN AND OTHER HIGHER-COST PRODUCERS A "LICENSE TO DUMP." ADMINISTRATION WITNESSES, LED BY TREASURY UNDER SECRETARY SOLOMON AND GENERAL COUNSEL MUNDHEIM, RESPONDED THAT A DUMPING FINDING REQUIRES NOT ONLY PRICE DISCRIMINATION BETWEEN MARKETS BUT ALSO INJURY TO U.S. INDUSTRY. THE TPM IS DESIGNED TO ORGANIZE TREASURY'S RESOURCES SO AS TO ELIMINATE INJURY FROM IMPORTS. STEEL SOLD BELOW COST OR HOME MARKET PRICES BUT ABOVE THE TRIGGER PRICE WOULD NOT BE SUBJECT TO TREASURY-INITIATED ANTIDUMPING ACTION. MUNDHEIM STRESSED, HOWEVER, THAT NOTHING IN THE TPM WOULD PREVENT A U.S. COMPANY FROM FILING A PETITION IN SUCH CIRCUMSTANCES AND HAVING IT PROCESSED BY TREASURY UNDER NORMAL ANTIDUMPING PROCEDURES.

6. IN CONTRAST TO BIG STEEL COMPANIES, IMPORTERS AND FABRICATORS COMPLAINED THAT:

-- TRIGGER PRICES ON MANY PRODUCTS ARE TOO HIGH.

-- USE OF JAPANESE SHIPPING COSTS RAISES PRICE OF IMPORTS TO EAST COAST AND GREAT LAKES TO PROHIBITIVE LEVELS.

-- VITAL RAW MATERIALS, SUCH AS WIRE RODS, WILL BECOME SO COSTLY AS TO DRIVE SOME FABRICATORS OUT OF BUSINESS.

-- JOBS IN FABRICATING INDUSTRY WILL BE SACRIFICED TO SAVE JOBS IN CARBON STEEL INDUSTRY.

THE SUBCOMMITTEE EXPRESSED ITS CONCERN THAT TRIGGER PRICES

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MIGHT ENCOURAGE THE DUMPING OF MORE FINISHED STEEL PRODUCTS AS IT REDUCED THE DUMPING OF BASIC STEEL MILL PRODUCTS. ADMINISTRATION WITNESSES ASSURED THE SUBCOMMITTEE THAT THEY WILL KEEP A WATCHFUL EYE ON THESE POTENTIAL PROBLEMS.

7. IN THE COURSE OF THE HEARINGS, ADMINISTRATION WITNESSES INFORMED THE SUBCOMMITTEE THAT

-- TPM WILL PROBABLY BE PUT IN EFFECT SHORTLY AFTER THE PREVIOUS FEBRUARY 15 TARGET DATE.

-- TREASURY EXPECTS TO PUBLISH LIST OF MOST ADDITIONAL PRICES WITHIN A FEW DAYS.

-- TRIGGER PRICES FOR WIRE PRODUCTS, WHICH HAVE REQUIRED DATA SUBMISSIONS BY SMALLER JAPANESE PRODUCERS, ARE BEING CALCULATED AND WILL BE ANNOUNCED IN A FEW WEEKS.

8. IN RESPONSE TO QUESTIONS ABOUT THE APPLICABILITY OF THE TPM TO FIXED PRICE CONTRACTS ENTERED INTO BEFORE THE ANNOUNCEMENT OF THE TRIGGER PRICES, MUNDHEIM REITERATED THAT IN THE ABSENCE OF OTHER EVIDENCE THAT SUCH SALES ARE AT DUMPING PRICES, THEY WOULD BE EXEMPT FROM TPM.

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Disposition Date: 01 jan 1960
Disposition Event:
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